

## 2011 HOUSING GOAL PERFORMANCE FOR FANNIE MAE AND FREDDIE MAC

### **BACKGROUND:**

FHFA established housing goals for purchases of single-family mortgages and multifamily mortgages by Fannie Mae and Freddie Mac during 2010 and 2011 in a September 14, 2010 final rule, and for 2012-2014 in a November 13, 2012 final rule.

### **CALCULATION OF GOALS:**

**Single-family Goals.** There are **five single-family goal categories**—four for home purchase mortgages and one for refinance mortgages:

(1) A **low-income (LI) home purchase (HP) goal**, for families purchasing homes with incomes no greater than 80 percent of Area Median Income (AMI);

(2) A **very low-income (VLI) home purchase goal**, for families purchasing homes with incomes no greater than 50 percent of AMI;

(3) A **low-income areas (LIA) home purchase subgoal**, for families purchasing homes in (a) low-income census tracts, with median income no greater than 80 percent of AMI, and (b) high-minority tracts, with minority population of at least 30 percent **and** tract median income less than 100 percent of AMI **if** borrower income does not exceed 100 percent of AMI;

(4) A **low-income areas home purchase goal**, which includes the LIA subgoal **plus** home purchase mortgages on properties in Federally-declared disaster areas **if** borrower income does not exceed 100 percent of AMI; and

(5) A **low-income refinance goal**, for low-income families (those with incomes no greater than 80 percent of AMI) who are refinancing their mortgages. Permanent modifications of mortgages for low-income families under the Administration's Home Affordable Modification Program (HAMP) also count toward this goal, because they are comparable to refinance mortgages.

Each goal or subgoal is expressed as the share of all home purchase [for (1) – (4)] or refinance [for (5)] mortgages acquired by the Enterprise during the calendar year. For example, performance on (1) for any

year is calculated as the ratio of home purchase loans acquired by an Enterprise which are for families with incomes no greater than 80 percent of AMI to all home purchase mortgages acquired by the Enterprise. FHFA annually notifies the Enterprises of the disaster areas increment for the low-income areas home purchase goal.

**Multifamily Goals.** There are also two **multifamily goals** for the Enterprises:

(1) A **low-income multifamily goal**, expressed as the number of units in multifamily [i.e., 5- or more unit] properties that are financed by an Enterprise that are affordable to families with incomes no greater than 80 percent of AMI; and

(2) A **very-low income multifamily goal** (or subgoal), expressed as the number of units in multifamily properties that are financed by an Enterprise that are affordable to families with incomes no greater than 50 percent of AMI.

### **ESTABLISHMENT OF HOUSING GOALS FOR 2010-2011:**

**Rules Establishing Housing Goals for 2010-11.** FHFA published a proposed rule establishing housing goals for 2010-11 on February 26, 2010. After reviewing the comments on the proposed rule, FHFA published a final rule on September 14, 2010. The levels of the percentage-based single-family goals were the same for both Enterprises. Because the multifamily goals are unit-based, and because Fannie Mae has a larger multifamily mortgage purchase program than Freddie Mac, these goals were set at higher levels for Fannie Mae than for Freddie Mac.

**Single-family Goal Details and Performance in 2011.** For the single-family goals, an Enterprise's performance is compared both with the pre-set "benchmark" level established in the final rule and with the corresponding share of all home purchase or refinance mortgages originated in the primary mortgage market that qualified for each goal in the same year. Such market-based goal-qualifying shares are based on FHFA's analysis of the borrower and locational characteristics of home purchase and refinance mortgages, as calculated from Home Mortgage Disclosure Act (HMDA) data for the given year. If an Enterprise's performance exceeds either the benchmark level or the corresponding figure for the market as a whole, it is deemed to have passed the goal.

**Multifamily Goal Details and Performance in 2011.** There is no market data on multifamily mortgage originations comparable to the HMDA data for single-family mortgages. Thus multifamily goal performance

can only be compared with the pre-set benchmark levels.

**2011 GOAL PERFORMANCE:**

The **single-family goal benchmarks, market levels**, and official **Enterprise performance**, as calculated by FHFA, for 2011 are as follows:

	2011	2011	<u>Official Goal Performance</u>	
<u>Goal Category</u>	<u>Benchmark Level</u>	<u>Market Level</u>	<u>Fannie Mae</u>	<u>Freddie Mac</u>
Low-income HP	27%	26.5%	25.8%	23.3%
Very-low income HP	8%	8.0%	7.6%	6.6%
LIA HP goal	24%	22.0%	22.4%	19.2%
LIA HP subgoal	13%	11.4%	11.6%	9.2%
Low-income Refi	21%	21.5%	23.1%	23.4%

- Fannie Mae's performance fell short of both the benchmark and market levels on the low-income and very low-income home purchase goals,
- Fannie Mae's performance exceeded the market level on both the low-income areas home purchase goal and subgoal, and
- Freddie Mac's performance fell short of both the benchmark and market levels on all four of the home purchase goals, and
- Both Enterprises exceeded the benchmark and market levels of the low-income refinance goal.

With regard to the goals where the Enterprises fell short of both the benchmark and market levels in 2011, the Acting Director of FHFA informed the Enterprises on October 11, 2012 that because both Enterprises continued to operate under conservatorship, neither Enterprise would have to submit housing plans for the goals the Enterprise failed to achieve.

The **multifamily goal levels** and **Enterprise performance**, as calculated by FHFA, for 2011 are as follows:

	<b><u>2011 Goal Level (in units)</u></b>		<b><u>Official Goal Performance</u></b>	
<b><u>Goal Category</u></b>	<b><u>Fannie Mae</u></b>	<b><u>Freddie Mac</u></b>	<b><u>Fannie Mae</u></b>	<b><u>Freddie Mac</u></b>
<b>Low-income multifamily</b>	<b>177,750</b>	<b>161,250</b>	<b>301,224</b>	<b>229,001</b>
<b>Very low-income multifamily</b>	<b>42,750</b>	<b>21,000</b>	<b>84,244</b>	<b>35,471</b>

- Both Enterprises exceeded the low-income multifamily goal and the very low-income multifamily subgoal.

FHFA also requires the Enterprises to report on their funding of low-income units in small (5- to 50-unit) multifamily properties, although there are no formal goals in this area. In 2011 Fannie Mae funded 13,480 such units and Freddie Mac funded 691 such units.

#### **ESTABLISHMENT OF HOUSING GOALS FOR 2012-2014:**

FHFA published a proposed rule establishing housing goals for 2012-2014 on June 11, 2012. After reviewing the comments on the proposed rule, FHFA published a final rule on November 13, 2012. The structure of the goals for 2012-2014 is the same as that for 2010-2011, but in light of changing market conditions, the benchmark levels for the single-family goals were revised as follows:

(1) The **low-income home purchase goal** was reduced from 27 percent for 2010-2011 to 23 percent for 2012-2014;

(2) The **very low-income home purchase goal** was reduced from 8 percent for 2010-2011 to 7 percent

for 2012-2014;

(3) The **low-income areas home purchase subgoal** was reduced from 13 percent for 2010-2011 to 11 percent for 2012-2014; and

(4) The **low-income refinance goal**, including HAMP modifications, was reduced from 21 percent for 2010-2011 to 20 percent for 2012-2014.

The multifamily goals were increased for both Enterprises over the levels in effect for 2010-2011, as follows:

(1) The **low-income multifamily goal** for Fannie Mae was increased from 177,750 units annually for 2010-2011 to 285,000 units for 2012, 265,000 units for 2013, and 250,000 units for 2014;

(2) The **low-income multifamily goal** for Freddie Mac was increased from 161,250 units annually for 2010-2011 to 225,000 units for 2012, 215,000 units for 2013, and 200,000 units for 2014;

(3) The **very low-income multifamily goal** for Fannie Mae was increased from 42,750 units annually for 2010-2011 to 80,000 units for 2012, 70,000 units for 2013, and 60,000 units for 2014;

(4) The **very low-income multifamily goal** for Freddie Mac was increased from 21,000 units annually for 2010-2011 to 59,000 units for 2012, 50,000 units for 2013, and 40,000 units for 2014.

In March 2013, FHFA received loan-level information on every mortgage acquired by the Enterprises in 2012. After analysis of this data, FHFA will be posting official performance on all goals by both Enterprises later in 2013.